

Environmental and Social Data Sheet

Overview

Project Name:	ZAMBIA AGRICULTURE VALUE CHAIN FACILITY ZAMBIA AGRICULTURE - RISK SHARING FACILITY
Project Number:	2018-0241, 2018-0890
Country:	Zambia
Project Description:	Intermediated facility for on-lending to eligible private agri-food sector investments in Zambia.
EIA required:	EIA may be required for selected investments
Project included in Carbon Footprint Exercise ¹ :	No

Environmental and Social Assessment

Under Zambia Agriculture Value Chain the EIB will establish credit lines to a number of Financial Intermediaries (FIs) active in lending to MSMEs and Mid-Caps in the agri-food sector in Zambia. The aim is to finance investments by these enterprises throughout agri-food value chains, from input supply, through post-harvest logistics, processing and distribution, with a focus on off-takers and other enterprises supporting market access for smallholder farmers.

Under the Zambia Agriculture Risk Sharing Facility, the EU will provide grants in the form of first loss capped guarantees to FIs participating under the Zambia Agriculture Value Chain facility, in order to reduce their perceived risks in the agri-food sector. The EU grant facility will also fund Technical Assistance (TA) to build FI capacity to lend in the agri-food sector.

Environmental and Social Assessment

Some sub-projects financed by the Bank in the agri-food sector may require Environmental & Social Impact Assessment (ESIA). For any investment subject to ESIA, according to national legislation or based on the application of the principles and standards of the EIB Environmental and Social Handbook, the FI will be required to ensure that the ESIA, including due public consultation, is conducted at a level that is in line with EU/international standards, and that the EIB is provided with a copy of the ESIA for publication on its website.

The selection process of FIs is still in progress and as part of the selection, EIB services will ensure that the selected FIs have adequate Environmental and Social Management Systems (ESMS) in place to address environmental and social risks that are typical for MSME and Mid-Cap investments in the sector. TA provided through the Kulima Risk Sharing Facility will support FIs in improvement of existing ESMS to EIB requirements.

The ESMS system will ensure that selected FIs follow, in their respective business processes and operations, a systematic approach to the identification and management of relevant environmental and social issues, and the risks inherent to the sub-projects to be financed. Sub-projects with significant negative environmental impacts, among others on areas with high biodiversity value, nature conservation areas, including bird migration routes, shall not be eligible.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.

In recent years Zambian primary agricultural production has witnessed harvest failures as a result of prolonged droughts. This has led to a reduction in levels of financing by commercial lenders to primary producers in the country. Extreme weather (both drought and flooding) are also considered risks to investments that have not been subject to satisfactory climate vulnerability risk assessment. Project TA will therefore work (i) to improve the capacity of participating financial intermediaries to assess potential climate risks in their appraisal processes and (ii) explore the potential for the use of crop insurance systems, which have received considerable impetus after the recent drought events.

As these facilities aims to support investments promoting the integration of farmers, and in particular smallholder farmers, into agricultural value chains, FIs will monitor and report on the adoption by loan recipients of inclusive business approaches. Application of international standards will be required for investments in value chains identified as carrying specific environmental and social risks.

Conclusions and Recommendations

Participating FIs will be required to apply the principles of EIB E&S standards and related reporting requirement.

In addition, FIs will submit, to the satisfaction of the Bank, an ESMS:

- integrating E&S considerations in compliance with: (i) national legislation and EIB E&S Standards; (ii) ILO Core Labour Standards; (iii) the FAO Voluntary Guidelines on the Responsible Governance of Tenure; and (iv) EIB lists of excluded and restricted activities as well as sector requirements; into their respective credit and investment decision-making processes,
- including a Grievance Redress Mechanism and Climate Risk Vulnerability Assessment, and
- including the organisational structure (roles and responsibilities) for the implementation of the ESMS.

Through the Zambia Agriculture Risk Sharing Facility, the Bank will provide TA support to FIs to develop their ESMS capabilities, including the required establishment of acceptable grievance redress mechanisms (and attendant reporting), to the extent that they are not already in place. The FIs will ensure that adequate financial and human resources required for the implementation of the ESMS are made available.

With the above-mentioned conditions to be included in financial contract, the operation is acceptable to the EIB in environmental and social terms.